

RACING AND GAMING COMMISSION[491]

Adopted and Filed

Rule making related to sports wagering and fantasy sports

The Racing and Gaming Commission hereby amends Chapter 1, “Organization and Operation,” Chapter 3, “Fair Information Practices,” Chapter 4, “Contested Cases and Other Proceedings,” Chapter 5, “Track, Gambling Structure, and Excursion Gambling Boat Licensees’ Responsibilities,” Chapter 6, “Occupational and Vendor Licensing,” and Chapter 8, “Pari-Mutuel Wagering, Simulcasting and Advance Deposit Wagering,” and adopts new Chapter 13, “Sports Wagering,” and Chapter 14, “Fantasy Sports Contests,” Iowa Administrative Code.

Legal Authority for Rule Making

This rule making is adopted under the authority provided in Iowa Code sections 99D.7 and 99F.4.

State or Federal Law Implemented

This rule making implements, in whole or in part, Iowa Code chapters 99D, 99E and 99F.

Purpose and Summary

The amendments in this rule making implement 2019 Iowa Acts, Senate File 617, which became effective May 13, 2019, and which authorizes sports wagering and fantasy sports contests in Iowa. This rule making is intended to provide a framework and guidance to all industry participants and to protect the public and ensure the integrity of licensed facilities and participants. These amendments also reconcile existing rules with the new legislation and provide two new chapters of rules, Chapters 13 and 14.

Public Comment and Changes to Rule Making

Notice of Intended Action for this rule making was published in the Iowa Administrative Bulletin on August 28, 2019, as **ARC 4617C**. This rule making was also Adopted and Filed Emergency and published in the Iowa Administrative Bulletin as **ARC 4618C** on the same date. An Amended Notice of Intended Action was published in the Iowa Administrative Bulletin on December 18, 2019, as **ARC 4807C**. A public hearing was held on January 7, 2020, at 9 a.m. in the Commission Office, Suite 100, 1300 Des Moines Street, Des Moines, Iowa. No one attended the public hearing.

Since publication of the Amended Notice, several nonsubstantive changes based on input received from stakeholders have been made. The changes are in 13.5(5)“c,” 13.7(2)“f,” 14.6(1), 14.9(1), 14.11(3) and 14.13(1)“a.” In addition, a few grammatical corrections and changes to improve consistency of terminology have been made.

Adoption of Rule Making

This rule making was adopted by the Commission on March 10, 2020.

Fiscal Impact

The Commission will use existing budget and resources to implement these rules, including specific appropriations made during the 2019 Legislative Session for such purposes.

Jobs Impact

After analysis and review of this rule making, the Commission finds that the rule making is likely to have a positive jobs impact, which is difficult to measure at this time.

Waivers

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Commission for a waiver of the discretionary provisions, if any.

Review by Administrative Rules Review Committee

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public, and interested persons may be heard as provided in Iowa Code section 17A.8(6).

Effective Date

This rule making will become effective on May 13, 2020, at which time the Adopted and Filed Emergency rule making is hereby rescinded.

The following rule-making actions are adopted:

ITEM 1. Amend rule 491—1.1(99D,99F) as follows:

491—1.1(99D,99E,99F) Function. The racing and gaming commission was created by Iowa Code chapter 99D and is charged with the administration of the Iowa pari-mutuel wagering Act and excursion boat gambling Act, sports wagering, and internet fantasy sports contests. Iowa Code chapters 99D, 99E and 99F mandate that the commission shall have full jurisdiction over and shall supervise all race meetings, ~~and~~ gambling operations, sports wagering, and internet fantasy sports contests governed by Iowa Code chapters 99D, 99E and 99F.

ITEM 2. Adopt the following **new** subrules 1.5(10) to 1.5(13):

1.5(10) Sports wagering for excursion gambling boat, gambling structure or racetrack enclosure application. This form shall contain, at a minimum, the full name of the applicant, disclosure of agreements involving sports wagering, a guarantee bond in an amount as determined by the commission, and a notarized certification of truthfulness. The applicant shall pay a nonrefundable application fee in the amount of \$45,000 to the commission.

1.5(11) Renewal application for sports wagering for excursion gambling boat, gambling structure or racetrack enclosure. This form shall contain, at a minimum, the full name of the applicant, a \$10,000 annual fee, disclosure of agreements involving sports wagering, sports wagering operations, internal controls, a guarantee bond in an amount as determined by the commission, a gambling treatment program, and a notarized certification of truthfulness. The form may include other information the commission deems necessary to make a decision on the license application.

1.5(12) Advance deposit sports wagering operator application. This form shall contain, at a minimum, the full name of the applicant, all ownership interests, balance sheets and profit-and-loss statements for three fiscal years immediately preceding the application, pending legal action, agreement with licensed facility or description of proposed operation, a gambling treatment program, and a notarized certification of truthfulness. The form may include other information the commission deems necessary to make a decision on the license application.

1.5(13) Internet fantasy sports contest application. This form shall contain, at a minimum, the full name of the applicant, board members, all ownership interests, balance sheets and profit-and-loss statements for the fiscal year immediately preceding the application, pending legal action, proof of satisfactory segregation of internet fantasy sports contest player contest funds as determined by the commission, a description of the proposed operation and a notarized certification of truthfulness. The form may include other information the commission deems necessary to make a decision on the license application.

ITEM 3. Amend rule 491—1.7(99D,99F) as follows:

491—1.7(99D,99F) Criteria for granting licenses, renewing licenses, and determining race dates. The commission sets forth the following criteria which the commission will consider when deciding whether to issue a license to conduct racing or gaming or sports wagering in Iowa. The various criteria may not have the same importance in each instance, and other factors may present themselves in the consideration of an application for a license. The criteria are not listed in order of priority. After the initial consideration for issuing a license, applicable criteria need only be considered when an applicant has demonstrated a deficiency.

1.7(1) Compliance. The commission will consider whether or not the applicant is and has been in compliance with the terms and conditions specified in Iowa Code section 99D.9 or 99F.4. The commission will also consider whether the proposed facility is in compliance with applicable state and local laws regarding fire, health, construction, zoning, and other similar matters.

1.7(2) Gaming integrity. The commission will consider whether the proposed operation would ensure that gaming is and sports wagering are conducted with a high degree of integrity in Iowa and that the officers, directors, partners, or shareholders of the operation are of good repute and moral character. The commission shall decide what weight and effect evidence about an officer, director, partner, or shareholder should have in the determination of whether there is substantial evidence that the individual is not of good reputation and character. For the purposes of this chapter, the term “directors” shall also include managers of limited liability companies and the term “shareholders” shall also include members of limited liability companies.

1.7(3) to 1.7(7) No change.

ITEM 4. Amend subrule 3.10(1) as follows:

3.10(1) To the extent allowed by law, the following uses are considered routine uses of all agency records:

a. to f. No change.

g. Information reported pursuant to Iowa Code sections 99E.8 and 99F.12 to any sports team or governing body having jurisdiction over sports teams.

ITEM 5. Amend subrule 3.13(2) as follows:

3.13(2) Confidential records. The following records may be withheld from public inspection. Records are listed by category, according to the legal basis for withholding them from public inspection.

a. to h. No change.

i. Information gathered during an investigation during pendency of the investigation or information requested for inspection by the commission or a representative of the commission. (Iowa Code sections 99D.7(9), 99D.19(3), 99E.3(2), 99E.8(2), 99F.4(6), 99F.12(2), and 99F.12(4))

j. No change.

k. Security plans, surveillance system plans and records, network audits, internal controls, and compliance records of the licensees that are made available to the commission that would enable law violators to avoid detection and give a clearly improper advantage to persons who are in an adverse position to the agency. (Iowa Code sections 17A.2, 17A.3, 22.7(18), 99D.19(3), 99E.8(4), 99F.12(2) “b” and 99F.12(4))

l. Promotional play receipts records and marketing expenses. (Iowa Code sections 99D.19(3), 99E.8(4) and 99F.12(4))

m. Patron and customer records. (Iowa Code sections 99D.19(3), 99E.8(4) and 99F.12(4))

n. Supplemental schedules to the certified audit that are obtained by the commission in connection with the annual audit under Iowa Code sections 99D.20, 99E.9 and 99F.13. (Iowa Code sections 99D.19(3) and 99F.12(4))

o. No change.

ITEM 6. Amend rule 491—3.14(17A,22) as follows:

491—3.14(17A,22) Personally identifiable information. The commission maintains systems of records which contain personally identifiable information.

3.14(1) Board of stewards or gaming board hearings and contested case records. Records are maintained in paper and computer files and contain names and identifying numbers of people involved. Evidence and documents submitted as a result of a hearing are contained in the board of stewards or gaming board hearing or contested case records as well as summary lists of enforcement activities.

Records are collected by authority of Iowa Code chapters 99D, 99E and 99F. None of the information stored in a data processing system is compared with information in any other data processing system.

3.14(2) Occupational licensing. Records associated with occupational licensing conducted under Iowa Code chapters 99D, 99E and 99F are maintained by this commission. The licensing system of records includes numerous files and crossfiles which include but are not limited to: computer storage of licensing records and photos, fingerprint cards, and license applications. The records associated with occupational licenses, which contain personally identifiable information, are open for public inspection only upon the approval of the administrator or the administrator's designee. The information stored in a data processing system is not compared with information in any other data processing system.

3.14(3) No change.

ITEM 7. Amend rule 491—4.2(17A), definition of "Gaming board," as follows:

"*Gaming board*" means a board established by the administrator to review conduct by occupational, excursion gambling boat, gambling structure, sports wagering, fantasy sports contest and gambling game licensees that may constitute violations of the rules and statutes relating to gaming. The administrator may serve as a board of one.

ITEM 8. Amend rule 491—4.4(99D,99F) as follows:

491—4.4(99D,99E,99F) Gaming representatives—licensing and regulatory duties.

4.4(1) No change.

4.4(2) The gaming representative or the administrator's designee shall monitor, supervise, and regulate the activities of occupational, pari-mutuel racetrack, sports wagering, fantasy sports contest, gambling game, excursion gambling boat, and gambling structure licensees. A gaming representative or the administrator's designee may investigate any questionable conduct by a licensee for any violation of the rules or statutes. A gaming representative or the administrator's designee may refer an investigation to the gaming board upon suspicion that a licensee or nonlicensee has committed a violation of the rules or statutes.

a. and b. No change.

4.4(3) A gaming representative or the administrator's designee shall summarily suspend an occupational license when a licensee has been formally arrested or charged with a crime that would disqualify the licensee, if convicted, from holding a license and the gaming representative or the administrator's designee determines that the licensee poses an immediate danger to the public health, safety, or welfare of the patrons, participants, or animals associated with a facility licensed under Iowa Code chapter 99D, 99E or 99F. Upon proof of resolution of a disqualifying criminal charge or formal arrest, regardless of summary suspension of a license, the gaming representative shall take one of the following courses of action:

a. to c. No change.

4.4(4) to 4.4(8) No change.

ITEM 9. Amend rule 491—4.5(99D,99F), parenthetical implementation statute, as follows:

491—4.5(99D,99E,99F) Gaming board—duties.

ITEM 10. Amend rule 491—4.7(99D,99F), introductory paragraph, as follows:

491—4.7(99D,99E,99F) Penalties (gaming board and board of stewards). All penalties imposed will be promptly reported to the commission and facility or other licensed entity in writing. The board may impose one or more of the following penalties: eject and exclude an individual from a facility; revoke a license; suspend a license for up to five years from the date of the original suspension; place a license on probation; deny a license; impose a fine of up to \$1000; or order a redistribution of a racing purse or the payment of or the withholding of a gaming payout. The board may set the dates for which the suspension must be served. The board may also suspend the license of any person currently under suspension or in bad standing in any other state or jurisdiction by a state racing or gaming commission. If the punishment so imposed is not sufficient, in the opinion of the board, the board shall so report to the commission.

ITEM 11. Amend rule 491—4.8(99D,99F), parenthetical implementation statute, as follows:

491—4.8(99D,99E,99F) Effect of another jurisdiction's order.

ITEM 12. Amend rule 491—4.9(99D,99F), parenthetical implementation statute, as follows:

491—4.9(99D,99E,99F) Service of administrative actions.

ITEM 13. Amend rule 491—4.10(99D,99F), parenthetical implementation statute, as follows:

491—4.10(99D,99E,99F) Appeals of administrative actions.

ITEM 14. Amend rule 491—5.1(99D,99F) as follows:

491—5.1(99D,99F) In general. For purposes of this chapter, the requirements placed upon an applicant shall become a requirement to the licensee once a license to race or operate a gaming facility has been granted. Every license is granted upon the condition that the license holder shall accept, observe, and enforce the rules and regulations of the commission. It is the affirmative responsibility and continuing duty of each officer, director, and employee of said license holder to comply with the requirements of the application and conditions of the license and to observe and enforce the rules. The holding of a license is a privilege. The burden of proving qualifications for the privilege to receive any license is on the licensee at all times. A licensee must accept all risks of adverse public notice or public opinion, embarrassment, criticism, or financial loss that may result from action with respect to a license. Licensees further covenant and agree to hold harmless and indemnify the Iowa racing and gaming commission from any claim arising from any action of the commission in connection with that license. This chapter applies to a license to race or operate a gaming facility unless otherwise noted.

ITEM 15. Amend rule 491—5.2(99D,99F) as follows:

491—5.2(99D,99F) Annual reports. Licensees shall submit audits to the commission as required by Iowa Code sections 99D.20 and 99F.13.

5.2(1) The audit of financial transactions and condition of licensee's operation shall include:

a. No change.

b. Documentation that the ~~county board of supervisors selected the auditing firm~~ audit shall be conducted by certified public accountants authorized to practice in the state of Iowa under Iowa Code chapter 542;

c. and d. No change.

5.2(2) to 5.2(4) No change.

5.2(5) ~~Consolidated financial statements may be filed by commonly owned or operated establishments~~ For a licensed subsidiary of a parent company, an audit of the parent company may be filed with the following conditions:

a. No change.

b. ~~The auditing firm must audit and issue a report on the separate financial statements that expresses an opinion for each individual entity licensed in Iowa.~~

~~e.~~ b. Any internal audit staff assisting with the audit shall report any material errors, irregularities or illegal acts that come to the staff's attention during the course of an audit to the licensee's audit committee or senior management as required by the rules of professional conduct. The licensee shall report such material errors, irregularities or illegal acts to the commission in a timely manner following reporting to the licensee's audit committee or senior management.

~~d.~~ c. All other requirements in this rule are met and included for each entity licensed in Iowa unless an exception is granted in writing by the commission (or administrator).

5.2(6) No change.

5.2(7) The annual audit report required by Iowa Code section 99F.13 shall include:

a. A schedule detailing a weekly breakdown of adjusted gross revenue; taxes paid to the state, city, county, and county endowment fund; and regulatory fees.

b. A report on whether material weaknesses in internal accounting control exist. ~~A report shall be filed for each individual entity licensed in Iowa if a consolidated audit is provided.~~

5.2(8) No change.

ITEM 16. Amend rule 491—5.4(99D,99F) as follows:

491—5.4(99D,99F) Uniform requirements.

5.4(1) to 5.4(6) No change.

5.4(7) Video recording. Licensees shall conduct continuous surveillance with the capability of video recording all on-site gambling activities under Iowa administrative rules 661—Chapter 141, promulgated by the department of public safety.

a. "Gambling activities" means participating in ~~or any form of wagering on gambling games on the gaming floor~~ as defined by Iowa Code chapter 99F and approved by the commission; the movement, storage, and handling of uncashed gambling revenues; manual exchange of moneys for forms of wagering credit on the gaming floor; entrance of the public onto the gaming floor; and any other activity as determined by the commission administrator or administrator's designee.

b. to e. No change.

5.4(8) and 5.4(9) No change.

5.4(10) Taxes and fees.

a. No change.

b. Submission of gambling game taxes and fees.

(1) to (3) No change.

c. No change.

d. Submission of sports wagering net receipts taxes.

(1) A tax is imposed on the sports wagering net receipts received each fiscal year from sports wagering. "Sports wagering net receipts" means the gross receipts less winnings paid to wagerers on sports wagering. Voided and canceled transactions are not considered receipts for the purpose of this calculation. Any offering used to directly purchase a wager shall be considered receipts for the purpose of this calculation.

(2) All moneys collected for and owed to the state of Iowa under Iowa Code chapter 99F for the payment of sports wagering taxes shall be accounted for and itemized on a monthly basis, in a format approved by the commission, by noon on Wednesday following a gaming week's end in which the completed gaming week includes the last day of the month. All sports wagering taxes owed shall be received in the treasurer's office by 11 a.m. on the Thursday after accounting and itemization is due in the commission office. If sports wagering net receipts for a month are negative, a credit for sports wagering taxes may be given in the subsequent month.

(3) Licensees under Iowa Code section 99F.7 or 99F.7A are responsible for the payment of all sports wagering taxes.

(4) Controls which easily allow for the designation and recording of sports wagering net receipts to an individual licensee and the redemption of winnings to the respective licensee shall be established by the licensee and approved by the administrator.

5.4(11) No change.

5.4(12) Problem gambling.

a. The holder of a license to operate gambling games and the holder of a license to accept simulcast wagering shall adopt and implement policies and procedures designed to:

(1) No change.

(2) Comply with the process established by the commission to allow a person to be voluntarily excluded from the gaming floor of an excursion gambling boat, from the wagering area as defined in Iowa Code section 99D.2, from the sports wagering area as defined in Iowa Code section 99F.1(24), and from the gaming floor of all other licensed facilities or gambling activities regulated under Iowa Code chapters 99D and 99F; and

(3) No change.

b. and c. No change.

d. Money forfeited by a voluntarily excluded person pursuant to Iowa Code sections 99D.7(23) and 99F.4(22) shall be withheld by the licensee and remitted to the general fund of the state by the licensee under Iowa Code chapters 99D and 99F.

5.4(13) to 5.4(21) No change.

ITEM 17. Amend rule 491—6.1(99D,99F) as follows:

491—6.1(99D,99E,99F) Definitions.

“Applicant” means an individual applying for an occupational license.

“Beneficial interest” means any and all direct and indirect forms of ownership or control, voting power, or investment power held through any contract, lien, lease, partnership, stockholding, syndication, joint venture, understanding, relationship (including family relationship), present or reversionary right, title or interest, or otherwise.

“Board” means either the board of stewards or the gaming board, as appointed by the administrator, whichever is appropriate. The administrator may serve as a board of one.

“Commission” means the Iowa racing and gaming commission.

“Commission representative” means a gaming representative, steward, or any person designated by the commission or commission administrator.

“Conviction” means the act or process of judicially finding someone guilty of a crime; the state of a person’s having been proved guilty; the judgment that a person is guilty of a crime or criminal offense, which includes a guilty plea entered in conjunction with a deferred judgment, and a juvenile who has been adjudicated delinquent. The date of conviction shall be the date the sentence and judgment is entered.

“Deceptive practice” means any deception or misrepresentation made by the person with the knowledge that the deception or misrepresentation could result in some benefit to the person or some other person.

“Facility” means an entity licensed by the commission to conduct pari-mutuel wagering, ~~or~~ gaming or sports wagering operations in Iowa.

“Internet fantasy sports contest service provider” means a person, including a licensee under Iowa Code chapter 99D or 99F, who conducts an internet fantasy sports contest as authorized by Iowa Code chapter 99E.

“Jockey” means a person licensed to ride a horse in a race.

“Kennel/stable name” means any type of name other than the legal name or names used by an owner or lessee and registered with the commission.

“Licensee” means a person licensed by the commission to perform an occupation which the commission has identified as requiring a license for a person to work in the pari-mutuel, gambling structure, ~~or~~ excursion gambling boat, sports wagering or internet fantasy sports contest industry in Iowa.

“Occupation” means a license category listed on the commission’s occupational license application form.

“Owner” means a person or entity that holds any title, right or interest, whole or partial, in a racing animal.

“Rules” means the rules promulgated by the commission to regulate the racing and gaming industries, sports wagering, and internet fantasy sports contests.

“Sports wagering” means the acceptance of wagers on an authorized sporting event by any system of wagering as authorized by the commission. “Sports wagering” does not include placing a wager on the performance or nonperformance of any individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team from this state is a participant, or placing a wager on the performance of athletes in an individual international sporting event governed by the international olympic committee in which any participant in the international sporting event is under 18 years of age.

“Theft” includes, but is not limited to:

1. The act of taking possession or control of either facility property or the property of another without the express authorization of the owner;
2. The use, disposition, or destruction of property in a manner which is inconsistent with or contrary to the owner’s rights in such property;
3. Misappropriation or misuse of property the person holds in trust for another; or
4. Any act which constitutes theft as defined by Iowa Code chapter 714. No specific intent requirement is imposed by rule 491—6.5(99D,99E,99F) nor is it required that there be any showing that the licensee received personal gain from any act of theft.

“Year” means a calendar year.

ITEM 18. Amend rule 491—6.2(99D,99F,252J) as follows:

491—6.2(99D,99E,99F,252J) Occupational licensing.

6.2(1) All licensees for internet fantasy sports contests and all persons participating in any capacity at a racing or gaming facility, with the exception of certified law enforcement officers while they are working for the facility as uniformed officers, are required to be properly licensed by the commission.

a. to h. No change.

i. Participation in racing and gaming, sports wagering, and internet fantasy sports contests in the state of Iowa is a privilege and not a right. The burden of proving qualifications to be issued any license is on the applicant at all times. An applicant must accept any risk of adverse public notice, embarrassment, criticism, or other action, as well as any financial loss that may result from action with respect to an application.

j. to p. No change.

6.2(2) All facility board members and internet fantasy sports contest service provider board members shall undergo a background investigation and be licensed immediately upon appointment. For the purposes of this chapter, the term “board members” shall also include managers of limited liability companies.

6.2(3) to **6.2(6)** No change.

ITEM 19. Amend rule 491—6.3(99D,99F), parenthetical implementation statute, as follows:

491—6.3(99D,99E,99F) Waiver of privilege.

ITEM 20. Amend rule 491—6.4(99D,99F), parenthetical implementation statute, as follows:

491—6.4(99D,99E,99F) License acceptance.

ITEM 21. Amend rule 491—6.5(99D,99F) as follows:

491—6.5(99D,99E,99F) Grounds for denial, suspension, or revocation of a license or issuance of a fine. The commission or commission representative shall deny an applicant a license or, if a license is already issued, a licensee shall be subject to probation, fine, suspension, revocation, or other disciplinary measures, if the applicant or licensee:

6.5(1) Does not qualify under the following screening policy:

a. to d. No change.

e. A license shall be temporarily denied or suspended until the outcome of any pending charges is known if conviction would disqualify the applicant and the commission representative determines that the applicant poses an immediate danger to the public health, safety, or welfare of the patrons, participants, or animals associated with a facility licensed under Iowa Code chapter 99D, 99E or 99F.

f. to k. No change.

l. A license shall be denied if the applicant is a board member of an internet fantasy sports contest service provider and is under the age of 21.

6.5(2) Has not demonstrated financial responsibility or has failed to meet any monetary obligation in the following circumstances connected with racing, ~~or gaming, sports wagering, or an internet fantasy sports contest~~:

a. to c. No change.

6.5(3) Has been involved in any fraudulent or corrupt practices, including, but not limited to:

a. Offering, promising, giving, accepting, or soliciting a bribe in any form, directly or indirectly, to or by a person licensed by the commission to violate these rules or the laws of the state related to racing, ~~or gaming, sports wagering or internet fantasy sports contests~~.

b. No change.

c. Soliciting by any licensee, except the facility, licensed advance deposit sports wagering operator or licensed internet fantasy sports contest service provider of bets by the public.

d. No change.

e. Theft or deceptive practice of any nature on the premises of a facility or in the performance of duties associated with advance deposit sports wagering or internet fantasy sports contests.

f. No change.

g. Failing to comply with any request for information or any order or ruling issued by the commission representative pertaining to a racing, ~~or gaming, sports wagering or internet fantasy sports contest~~ matter.

h. No change.

i. Conduct in Iowa or elsewhere that has been dishonest, undesirable, ~~or detrimental to~~, or reflects negatively on, the integrity or best interests of racing, ~~and gaming, sports wagering or internet fantasy sports contests~~.

j. to l. No change.

m. Improperly influencing or attempting to improperly influence the results of a race, ~~or a gambling game, a sporting event that is subject to sports wagering, or an internet fantasy sports contest~~, singularly or in combination with any person.

n. Failing to report any attempt to improperly influence the result of a race, ~~or a gambling game, a sporting event that is subject to sports wagering, or an internet fantasy sports contest~~ as in 6.5(3) “m” above.

o. to w. No change.

x. Communicating with or contacting a person who is voluntarily excluded pursuant to Iowa Code chapter 99D or 99F for ~~gaming-related gaming-, wagering-, or internet fantasy sports contest-related~~ activities.

ITEM 22. Amend rule 491—6.6(99D,99F), parenthetical implementation statute, as follows:

491—6.6(99D,99E,99F) Applications for license after denial, revocation, or suspension.

ITEM 23. Amend rule 491—6.7(99D,99F), parenthetical implementation statute, as follows:

491—6.7(99D,99E,99F) Probationary period placed on a license.

ITEM 24. Amend rule 491—6.8(99D,99F), parenthetical implementation statute, as follows:

491—6.8(99D,99E,99F) Duration of license.

ITEM 25. Amend rule 491—6.9(99D,99F), parenthetical implementation statute, as follows:

491—6.9(99D,99E,99F) Licensed employees moving from one location to another.

ITEM 26. Amend rule 491—6.10(99D,99F) as follows:

491—6.10(99D,99E,99F) Required report of discharge of licensed employee. Upon discharge of any licensed employee by any licensed employer for violation of rules or laws within the jurisdiction of the commission, the employer must report that fact in writing, within 72 hours, to the local commission office, including the name and occupation of the discharged licensee. In the case of discharge of a board member of an internet fantasy sports contest service provider, the employer must report that fact in writing, within 72 hours, to the Des Moines commission office, including the name and occupation of the discharged licensee.

ITEM 27. Amend **491—Chapter 8**, title, as follows:

PARI-MUTUEL WAGERING, SIMULCASTING AND ADVANCE DEPOSIT WAGERING

ITEM 28. Amend rule **491—8.1(99D)**, definitions of “Account,” “Advance deposit wagering center” and “Advance deposit wagering operator,” as follows:

“*Account*” means an account approved by the commission for pari-mutuel advance deposit wagering with a complete record of credits, wagers and debits established by a licensee account holder and managed by a licensee or ADWO.

“*Advance deposit wagering center*” means an actual location, the equipment, and the staff of a licensee, ADWO, or both involved in the management, servicing and operation of the pari-mutuel advance deposit wagering for the licensee.

“*Advance deposit wagering operator*” or “*ADWO*” means an advance deposit wagering operator licensed by the commission who has entered into an agreement with the licensee of the horse racetrack in Polk County and the Iowa Horsemen’s Benevolent and Protective Association to provide pari-mutuel advance deposit wagering.

ITEM 29. Amend paragraph **8.6(2)“a”** as follows:

a. A person must have an established account in order to place advance deposit wagers. An account may be established in person at the licensee’s facility or with the ADWO by mail or electronic means. For establishing an account, the application must be signed or otherwise authorized in a manner acceptable to the commission and shall include the applicant’s full legal name, principal residence address, telephone number, and date of birth and any other information required by the commission. The licensee and ADWO shall have a process to verify that the player is not on the statewide self-exclusion list set forth in Iowa Code section 99F.4(22) prior to establishing an account. The licensee and ADWO shall review and deactivate accounts of newly enrolled participants of the statewide self-exclusion program and comply with all other requirements set forth by the commission and in Iowa Code section 99F.4(22).

ITEM 30. Adopt the following new 491—Chapter 13:

**CHAPTER 13
SPORTS WAGERING**

491—13.1(99F) Definitions. As used in these rules, unless the context otherwise requires, the following definitions apply:

“*Administrator*” means the administrator of the racing and gaming commission or the administrator’s designee.

“*Advance deposit sports wagering*” means a method of sports wagering in which an eligible individual may, in an account established with a licensee under Iowa Code section 99F.7A, deposit moneys into the account and use the account balance to pay for sports wagering. Prior to January 1, 2021, an account must be established by an eligible individual in person with a licensee.

“Advance deposit sports wagering operator” means an advance deposit sports wagering operator licensed by the commission who has entered into an agreement with a licensee under Iowa Code section 99F.7A to provide advance deposit sports wagering.

“Authorized sporting event” means a professional sporting event, collegiate sporting event, international sporting event, or professional motor race event. “Authorized sporting event” does not include a race as defined in Iowa Code section 99D.2, a fantasy sports contest as defined in Iowa Code section 99E.1, minor league sporting event, or any athletic event or competition of an interscholastic sport as defined in Iowa Code section 9A.102.

“Collegiate sporting event” means an athletic event or competition of an intercollegiate sport as defined in Iowa Code section 9A.102.

“Commission” means the racing and gaming commission created under Iowa Code section 99D.5.

“Designated sports wagering area” means an area, as designated by a licensee and approved by the commission, in which sports wagering is conducted.

“Eligible individual” means an individual who is at least 21 years of age or older who is located within this state.

“Facility” means an entity licensed by the commission to conduct pari-mutuel wagering, gaming or sports wagering operations in Iowa.

“International sporting event” means an international team or individual sporting event governed by an international sports federation or sports governing body, including but not limited to sporting events governed by the international olympic committee and the international federation of association football.

“Licensee” means any person licensed under Iowa Code section 99F.7 or 99F.7A.

“Minor league sporting event” means a sporting event conducted by a sports league which is not regarded as the premier league in the sport as determined by the commission.

“Professional sporting event” means an event, excluding a minor league sporting event, at which two or more persons participate in sports or athletic events and receive compensation in excess of actual expenses for their participation in such event.

“Sports wagering” means the acceptance of wagers on an authorized sporting event by any system of wagering as authorized by the commission. “Sports wagering” does not include placing a wager on the performance or nonperformance of any individual athlete participating in a single game or match of a collegiate sporting event in which a collegiate team from this state is a participant, or placing a wager on the performance of athletes in an individual international sporting event governed by the international olympic committee in which any participant in the international sporting event is under 18 years of age.

“Sports wagering net receipts” means the gross receipts less winnings paid to wagerers on sports wagering.

491—13.2(99F) Conduct of all sports wagering.

13.2(1) *Commission policy.* It is the policy of the commission to require that all industry participants conduct sports wagering in a manner suitable to protect the public health, safety, morals, good order, and general welfare of the state. Responsibility for selecting, implementing, and maintaining suitable methods of operation rests with the facility, vendor, and advance deposit sports wagering operator. Willful or persistent use or toleration of methods of operation deemed unsuitable in the sole discretion of the commission will constitute grounds for disciplinary action, up to and including revocation.

13.2(2) *Activities prohibited.* A facility, vendor, or advance deposit sports wagering operator is expressly prohibited from the following activities:

a. Failing to conduct advertising and public relations activities in accordance with decency, dignity, good taste, and honesty.

b. Failing to comply with or make provision for compliance with all federal, state, and local laws and rules pertaining to the operation of a facility or advance deposit sports wagering operation including, but not limited to, payment of license fees, withholding payroll taxes, and violations of alcoholic beverage laws or regulations.

c. Permitting cheating, failing to discover cheating that should have been discovered with reasonable inquiry, or failing to take action to prevent cheating.

d. Failing to conduct sports wagering operations in accordance with proper standards of custom, decorum, and decency; or permitting any type of conduct that reflects negatively on the state or commission or acts as a detriment to the sports wagering industry.

e. Performing any type of sports wagering activity, at any time, that is contrary to the representation made to the commission, commission representatives, or the public.

f. Denying a commissioner or commission representative, upon proper and lawful demand, information, documents, or access to inspect any portion of the sports wagering operation.

13.2(3) *Wagers.* Wagers may only be made by persons 21 years of age or older and on activities authorized pursuant to Iowa Code chapter 99F which are approved by the commission.

13.2(4) *Public notice.* The public shall have access to the sports wagering rules, available wagers, odds or payouts, the payout period, and the source of the information used to determine the outcome of a sports wager. All licensees and advance deposit sports wagering operators shall require participants to follow the rules of play. The sports wagering rules shall be:

a. Displayed in the licensee's sports wagering area.

b. Posted on the internet site or mobile application used to conduct advance deposit sports wagering.

c. Included in any terms and conditions disclosure statements of the advance deposit sports wagering system.

13.2(5) *Bond.* A licensee shall post a bond or irrevocable letter of credit, at an amount determined by the commission, to the state of Iowa to guarantee that the licensee and any vendor or advance deposit sports wagering operator licensed in conjunction with the licensee faithfully makes the payments, keeps its books and records and makes reports, and conducts its gambling games and sports wagering in conformity with Iowa Code chapter 99F and the rules adopted by the commission.

13.2(6) *Reserve.* A reserve in the form of cash or cash equivalents segregated from operational funds, an irrevocable letter of credit, payment processor reserves and receivables, a bond, or a combination thereof, shall be maintained in the amount necessary to cover the outstanding sports wagering liability. An accounting of this reserve shall be made available for inspection to the commission upon request. The method of reserve shall be submitted to and approved by the administrator prior to implementation.

13.2(7) *Internal controls.* Licensees and advance deposit sports wagering operators shall submit a description of internal controls to the administrator. The submission shall be made at least 30 days before sports operations are to commence unless otherwise approved by the administrator. All internal controls must be approved by the administrator prior to commencement of sports operations. The operator shall submit to the administrator any changes to the internal controls previously approved at least 15 days before the changes are to become effective unless otherwise directed by the administrator. It shall be the affirmative responsibility and continuing duty of each licensee and advance deposit sports wagering operator and their employees to follow and comply with all internal controls. The submission shall include controls and reasonable methods that provide for the following:

a. To prohibit wagering by coaches, athletic trainers, officials, players, or other individuals who participate in an authorized sporting event in which wagers may be accepted.

b. To prohibit wagering by persons who are employed in a position with direct involvement with coaches, players, athletic trainers, officials, athletes or participants in an authorized sporting event in which wagers may be accepted.

c. To promptly report to the commission any criminal or disciplinary proceedings commenced against the licensee or its employees.

d. To promptly report to the commission any abnormal wagering activity or patterns that may indicate a concern about the integrity of an authorized sporting event or events, and any other conduct with the potential to corrupt a wagering outcome of an authorized sporting event for purposes of financial gain, including but not limited to match fixing, and suspicious or illegal wagering activities, including the use of funds derived from illegal activity, wagers to conceal or launder funds derived from illegal activity, use of agents to place wagers, or use of false identification. Integrity-monitoring procedures shall also provide for the sharing of information with other licensees, other governing authorities, and

accredited sports governing entities by participating in an integrity-monitoring association or group or by another method as approved by the administrator.

e. To report within 72 hours any incident where an employee or customer is detected violating a provision of Iowa Code chapter 99F, a commission rule or order, or internal controls. In addition to the written report, the licensee or advance deposit sports wagering operator shall provide immediate notification to the commission if an incident involves employee theft, criminal activity, Iowa Code chapter 99F violations or sports wagering receipts.

f. The segregation of incompatible functions so that no employee is in a position to perpetrate and conceal errors or irregularities in the normal course of the employee's duties.

g. User access controls for all sensitive and secure, physical and virtual, areas and systems within a sports wagering operation.

h. Treatment of problem gambling by:

(1) Identifying problem gamblers.

(2) Complying with the process established by the commission pursuant to Iowa Code section 99F.4(22) and 491—subrule 5.4(12).

(3) Cooperating with the Iowa gambling treatment program in creating and establishing controls.

(4) Making available to customers, patrons, and bettors a substantial number of the Iowa gambling treatment program advertisements and printed materials.

i. Setoff winnings of customers who have a valid lien established under Iowa Code chapter 99F.

13.2(8) Revenue reporting. Reports generated from the sports wagering system shall be made available as determined by the commission. The reporting system shall be capable of issuing reports by wagering day, wagering month, and wagering year. Wagering data shall not be purged unless approved by the commission. The reporting system shall provide for a mechanism to export the data for the purposes of data analysis and auditing or verification. The reporting system shall be able to provide, at a minimum, the following sports wagering information:

a. The date and time each event started and ended.

b. Total amount of wagers collected.

c. Total amount of winnings paid to players.

d. Total amount of wagers canceled, voided, and expired.

e. Commission or fees collected.

f. Total value of promotional play or free play used to purchase or execute a sports wager.

g. Event status.

h. Total amount held by the operator for the player accounts.

i. Total amount of wagers placed on future events.

j. Total amount of winnings owed but unpaid by the operator on winning wagers.

13.2(9) Unclaimed winnings and abandoned accounts. Unclaimed winnings and abandoned accounts are subject to the following requirements:

a. Unclaimed winnings of over 90 days at the close of a licensee's fiscal year shall be disallowed as a deduction from gross receipts for the calculation of sports wagering net receipts for the sports wagering tax.

b. Abandoned player accounts under this rule are subject to Iowa Code chapter 556.

c. Player accounts are considered abandoned if no activity by the account holder has occurred for three years. Player activity includes making a wager, making an account deposit, or withdrawing funds.

d. No licensee or advance deposit sports wagering operator shall charge an administration fee or maintenance fee for any inactive player account derived from state of Iowa residents at any time for any reason.

491—13.3(99F) Approval of sports wagers.

13.3(1) Approval. Prior to offering a sports wager, a facility or advance deposit sports wagering operator shall request that the administrator investigate and approve the sports wager for compliance with commission rules and any other standards as required by the commission. The administrator may require the facility or advance deposit sports wagering operator, at the facility's or operator's own expense, to

provide additional information as deemed necessary to make a determination. Prior to approval, the administrator may require a trial period of any sports wager offering. Once a sports wager is approved by the administrator, unless it is subsequently disapproved for any reason deemed appropriate by the administrator, the sports wager is available for all operators under the conditions approved and subject to subrule 13.3(2).

13.3(2) Sports wager submissions. Prior to conducting a sports wager approved pursuant to subrule 13.3(1), a licensee or advance deposit sports wagering operator shall submit proposals for the wager, including but not limited to wagering rules, payout information, source of the information used to determine the outcome of the sports wager, and any restrictive features of the wager. The sports wager submission, or requests for modification to an approved wager, shall be submitted in writing and approved by the administrator prior to implementation.

13.3(3) Sports promotional contests, tournaments, or promotional activities. Sports promotional contests, tournaments, or promotional activities may be permitted by the licensee, vendor, or advance deposit sports wagering operator providing the following:

a. Rules shall be made available to participants for review prior to registering. Rules shall include, at a minimum: all conditions registered players must meet to qualify to enter or advance through the event, available prizes or awards, fees, and distribution of prizes or awards based on specific outcomes.

b. Rules are followed. Changes to rules shall not be made after participants have registered.

c. Results shall be made available for the registered players to review at the same location at which or in the same manner in which players registered. Results shall include, at a minimum: name of the event, date of the event, total number of entries, amount of entry fees, total prize pool, and amount paid for each winning category.

d. Fees collected, less cash prizes paid, are subject to the wagering taxes pursuant to Iowa Code section 99F.11(4). In determining sports wagering net receipts, to the extent that cash prizes paid out exceed fees collected, the licensee or advance deposit sports wagering operator shall be deemed to have paid the fees for the participants.

e. There is compliance with all other federal, state, and local laws and rules outside of the commission's jurisdiction.

491—13.4(99F) Designated sports wagering area. A floor plan identifying the designated sports wagering area, including the location of any wagering kiosks, shall be filed with the administrator for review and approval. Modification to a previously approved plan must be submitted for approval at least ten days prior to implementation. A sign shall denote that the area is not accessible to persons under the age of 21. Exceptions to this rule must be approved in writing by the administrator. The sports wagering area is subject to compliance with 491—subrule 5.4(7).

491—13.5(99F) Advance deposit sports wagering.

13.5(1) Authorization to conduct advance deposit sports wagering. A licensee or advance deposit sports wagering operator shall receive specific authorization from the commission to conduct advance deposit sports wagering prior to conducting advance deposit sports wagering. The granting of an advance deposit sports wagering license or approval of any agreements between a licensee and an advance deposit sports wagering operator to conduct advance deposit sports wagering does not constitute authorization. Any entity authorized to conduct advance deposit sports wagering is expected to comply with all requirements of this chapter, except for rule 491—13.4(99F), and all other applicable federal, state, local, and commission requirements.

13.5(2) Account registration. A person must have an established account in order to place advance deposit sports wagers. Prior to January 1, 2021, an account shall be established at the facility as required by Iowa Code section 99F.9(3A) with a process approved by the administrator. To establish an account, an application for an account shall be signed or otherwise authorized in a manner approved by the administrator and shall include the applicant's full legal name, principal residential address, date of birth, and any other information required by the administrator. The account registration process shall also include:

a. Age verification to prevent persons under the legal age for sports wagering from establishing an account.

b. Player verification of legal name, physical address, and age to correctly identify account holders.

c. Verification that the player is not on the statewide self-exclusion list set forth in Iowa Code section 99F.4(22) prior to establishing an account.

d. Availability and acceptance of a set of terms and conditions that is also readily accessible to the player before and after registration and noticed when updated. Notices shall include, at a minimum, the following:

(1) Explanation of rules in which any unrecoverable malfunctions of hardware/software are addressed including, but not limited to, if the unrecoverable malfunction, wagering event cancellation, or other catastrophic malfunction results in the voiding of any wagers.

(2) Procedures to deal with interruptions caused by the suspension of data flow from the network server during an event.

(3) Specifications advising players to keep their account credentials secure.

(4) Statement that no underage individuals are permitted to participate in wagering.

(5) Explanation of conditions under which an account is declared inactive and actions undertaken on the account once this declaration is made.

e. Availability and acceptance of a privacy policy that is also readily accessible to the player before and after registration and noticed when updated and that includes, at a minimum, the following:

(1) Statement of information that is collected, the purpose for information collection, and the conditions under which information may be disclosed.

(2) Statement that any information obtained in respect to player registration or account establishment must be done in compliance with the privacy policy.

(3) Requirement that any information about player accounts which is not subject to disclosure pursuant to the privacy policy must be kept confidential, except where the release of that information is required by law.

(4) Requirement that all player information must be securely erased from hard disks, magnetic tapes, solid state memory, and other devices before the device is properly disposed of by the licensee. If erasure is not possible, the storage device must be destroyed.

13.5(3) Operation of an account. The advance deposit sports wagering operator or a licensee shall submit controls, approved by the commission, that include the following for operating an account:

a. Specific procedures and technology partners to fulfill the requirements set forth in subrule 13.5(2).

b. Location detection procedures to reasonably detect and dynamically monitor the location of a player attempting to place any wager. A player outside the permitted boundary shall be rejected, and the player shall be notified. The confidence radius shall be entirely located within the permitted boundary.

c. Specific controls set forth in subrule 13.2(7).

d. Limitation of one active account, per individually branded website, at a time unless otherwise authorized by the commission.

e. Authentication for log in through a username and password or other secure alternative means as authorized by the commission. Processes for retrieving lost usernames and passwords shall be available, secure, and clearly disclosed to the player. Players shall be allowed to change their passwords.

f. Immediate notification to the player when changes are made to any account used for financial transactions or to registration information or when financial transactions are made unless other notification preferences are established by the player.

g. Process to immediately notify a player and lock an account in the event that suspicious activity is detected. A multifactor authentication process must be employed for the account to be unlocked.

h. Process to easily and prominently impose limitations or notifications for wagering parameters including, but not limited to, deposits and wagers. Upon receipt, any self-imposed limitations must be employed correctly and immediately as indicated to the player. No changes can be made reducing the severity of the self-imposed limitations for at least 24 hours.

i. Process to easily and prominently self-exclude from wagering for a specified period of time or indefinitely and easily and obviously direct participants, via a link, to exclude themselves pursuant to Iowa Code section 99F.4(22). Upon receipt, any self-exclusion limitations must be employed correctly and immediately as indicated to the player. No changes can be made to reduce the severity of the self-exclusion limitations for at least 24 hours. In the event of indefinite self-exclusion, the advance deposit sports wagering operator or licensee must ensure that the players are paid in full for their account balance within a reasonable time provided that the advance deposit sports wagering operator or licensee acknowledges that the funds have cleared. This control does not supersede the requirements set forth in Iowa Code section 99F.4(22).

j. Process to review and deactivate accounts of newly enrolled participants of the statewide self-exclusion program set forth in Iowa Code section 99F.4(22). The operator must ensure that players are paid in full for their account balance within a reasonable time provided that the operator acknowledges that the funds have cleared.

k. Provide for an easy and obvious method for a player to make a complaint and to enable the player to notify the commission if such complaint has not been or cannot be addressed by the advance deposit sports wagering operator or licensee.

13.5(4) Account funds. The following requirements apply to the maintenance of funds associated with a player account:

a. Positive player identification, including any personal identification number (PIN) entry or other approved secure methods, must be completed before the withdrawal of any moneys held by the advance deposit sports wagering operator or licensee can be made.

b. Payments from an account are to be paid directly to an account with a financial institution in the name of the player or made payable to the player and forwarded to the player's address or through another method that is not prohibited by state or federal law.

c. An advance deposit sports wagering operator or licensee must have in place security or authorization procedures to ensure that only authorized adjustments can be made to player accounts and that changes are auditable.

d. It shall not be possible to transfer funds between two player accounts.

e. An advance deposit sports wagering operator or licensee shall provide a transaction log or account statement history at no cost to players upon request. Information provided shall include sufficient information to allow players to reconcile the statement or log against their own financial records.

f. Requests for withdrawals shall not be unreasonably withheld and shall be completed in a timely manner.

g. An advance deposit sports wagering operator or licensee shall provide a fee-free method for players to deposit or withdraw funds from player accounts.

13.5(5) Annual audit. An audit of the advance deposit sports wagering operations for the advance deposit sports wagering operator or licensee or parent company of the advance deposit sports wagering operator or licensee shall be conducted by certified public accountants authorized to practice in the state of Iowa and provided to the commission within 90 days of the licensee's fiscal year and meet the following conditions:

a. Inclusion of an internal control letter, audited balance sheet, and audited profit-and-loss statement including a breakdown of expenditures and subsidiaries of advance deposit sports wagering activities.

b. Inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the advance deposit sports wagering operator's or licensee's fiscal year does not correspond to the calendar year.

c. Report of any material errors, irregularities that may be discovered during the audit, or notice of any audit adjustments.

d. Availability, upon request, of an engagement letter for the audit between the advance deposit sports wagering operator or licensee or parent company of the advance deposit sports wagering operator or licensee and the auditing firm.

13.5(6) *Wagers.* An advance deposit sports wagering operator shall display a player's wagers in a readily accessible manner.

491—13.6(99F) Testing.

13.6(1) *Initial testing.* All equipment and systems integral to the conduct of sports wagering and advance deposit sports wagering shall be tested and certified for compliance with commission rules and the standards required by a commission-designated independent testing laboratory. Certification and commission approval must be received prior to the use of any equipment or system to conduct sports wagering. The commission may designate more than one independent testing laboratory.

13.6(2) *Change control.* The licensees and advance deposit sports wagering operators shall submit change control processes that detail evaluation procedures for all updates and changes to equipment and systems to the administrator for approval. These processes shall include details for identifying criticality of updates and determining of submission of updates to an independent testing laboratory for review and certification.

13.6(3) *Annual testing.*

a. A system integrity and security risk assessment shall be performed annually on the advance deposit sports wagering system.

(1) The testing organization must be independent of the licensee and shall be qualified by the administrator.

(2) The system integrity and security risk assessment shall be conducted no later than 90 days after the start of the licensee's fiscal year.

(3) Results from the risk assessment shall be submitted to the administrator no later than 30 days after the assessment is conducted.

b. At the discretion of the administrator, additional assessments or specific testing criteria may be required.

491—13.7(99F) Licensing.

13.7(1) *Application and payment of fee.* The commission shall, upon payment of an initial license fee of \$45,000 and submission of an application consistent with the requirements of Iowa Code section 99F.6, issue a license to conduct sports wagering to a facility.

13.7(2) *Application procedure for a facility.* Application for a license for a facility to conduct sports wagering shall be made to the commission. In addition to the application, the following must be completed and presented when the application is filed:

a. Name of the entity to be licensed by the commission to conduct sports wagering operations in Iowa.

b. Disclosure of agreements with entities to manage or operate sports wagering with or on behalf of the facility.

c. Disclosure of operating agreements for up to two individually branded internet sites to conduct advance deposit wagering for the facility.

d. Compliance with Iowa Code section 99F.6(4)"a"(2) and (3) requirements for qualified sponsoring organizations or horse racing purses.

e. A bond or irrevocable letter of credit on behalf of the facility in an amount to be determined by the commission.

f. A bank check, cashier's check, or wire transfer made payable to Iowa Racing and Gaming Commission for \$45,000 for an initial license or \$10,000 for a renewal license.

13.7(3) *Application procedure for an advance deposit sports wagering operator.* Application for a license for an advance deposit sports wagering operator with an agreement with a facility shall be made to the commission for approval by the administrator. In addition to the application, the following must be completed and presented when the application is filed:

a. Disclosure of ownership interest, directors, or officers of applicant.

(1) An applicant or licensee shall notify the administrator of the identity of each director, corporate officer, owner, partner, joint venture participant, trustee, or any other person who has any beneficial

interest of 5 percent or more, direct or indirect, in the business entity. For any of the above, as required by the administrator, the applicant or licensee shall submit background information on forms supplied by the division of criminal investigation and any other information the administrator may require.

For purposes of this rule, the term “beneficial interest” includes all direct and indirect forms of ownership or control, voting power, or investment power held through any contract, lien, lease, partnership, stockholding, syndication, joint venture, understanding, relationship (including family relationship), present or reversionary right, title or interest, or otherwise.

(2) For ownership interests of less than 5 percent, the administrator may request a list of these interests. The list shall include names, percentages owned, addresses, social security numbers, and dates of birth. The administrator may request the same information required of those individuals in subparagraph 13.7(3) “a”(1) above.

b. Investigative fees.

(1) Advance payment. The department of public safety may request payment of the investigative fee in advance as a condition to beginning investigation.

(2) Payment required. The administrator may withhold final action with respect to any application until all investigative fees have been paid in full.

c. A copy of each of the following:

(1) List of employees of the aforementioned who may have contact with persons within the state of Iowa.

(2) Agreement with facility to operate or manage the advance deposit sports wagering operation.

d. Any and all changes in the applicant’s legal structure, directors, officers, or the respective ownership interests must be promptly filed with the administrator.

e. The administrator may deny, suspend, or revoke the license of an applicant or licensee in which a director, corporate officer, or holder of a beneficial interest includes or involves any person or entity which would be, or is, ineligible in any respect, such as through want of character, moral fitness, financial responsibility, or professional qualifications, or due to failure to meet other criteria employed by the administrator, to participate in gaming regardless of the percentage of ownership interest involved. The administrator may order the ineligible person or entity to terminate all relationships with the licensee or applicant, including divestiture of any ownership interest or beneficial interest at acquisition cost.

f. Disclosure of the full nature and extent of all beneficial interests may be requested by the administrator and shall include the names of individuals and entities, the nature of their relationships, and the exact nature of their beneficial interest.

g. Public disclosure is made for the benefit of the public, and documents pertaining to the ownership filed with the administrator shall be available for public inspection in accordance with 491—Chapter 3.

13.7(4) *Supplementary information.* Each applicant shall promptly furnish the administrator with all additional information pertaining to the application or the applicant which the administrator may require. Failure to supply the requested information within five days after the request has been received by the applicant shall constitute grounds for delaying consideration of the application.

13.7(5) *Temporary license certificates.*

a. A temporary license certificate may be issued at the discretion of the administrator.

b. Any temporary license certificate issued at the discretion of the administrator shall be valid for a maximum of 120 calendar days from the date of issue. Failure to obtain a permanent license within the designated time may result in revocation of license eligibility, fine, or suspension.

13.7(6) *Withdrawal of application.* A written notice of withdrawal of application may be filed by an applicant at any time prior to final action. No application shall be permitted to be withdrawn unless the administrator determines the withdrawal to be in the public interest. No fee or other payment relating to any application shall become refundable by reason of withdrawal of the application.

13.7(7) *Record keeping.*

a. Record storage required. Licensees and advance deposit sports wagering operators shall maintain adequate records of business operations, which shall be made available to the administrator upon request. These records shall include:

(1) All correspondence with the administrator and other governmental agencies on the local, state, and federal level.

(2) All correspondence between the licensee and advance deposit sports wagering operators and any of their customers who are applicants or licensees under Iowa Code chapter 99F.

(3) A personnel file on each employee of the licensee and advance deposit sports wagering operator, including sales representatives.

(4) Financial records of all transactions with facilities and all other licensees and advance deposit sports wagering operators under these rules.

b. Record retention. Records other than those listed in subrule 13.2(8) shall be retained as required by 491—subrule 5.4(14).

13.7(8) *Violation of laws or regulations.* Violation of any provision of any laws of the state or of the United States of America or of any rules of the commission may constitute an unsuitable method of operation, subjecting the licensee to limiting, conditioning, restricting, revoking or suspending the license, or fining the licensee or advance deposit sports wagering operator, or any combination of the above. The commission has the discretion to suspend mobile gaming operations of its licensees by written order if necessary.

These rules are intended to implement Iowa Code chapters 99D and 99F.

ITEM 31. Adopt the following **new** 491—Chapter 14:

CHAPTER 14
FANTASY SPORTS CONTESTS

491—14.1(99E) Definitions. As used in these rules, unless the context otherwise requires, the following definitions apply:

“Administrator” means the administrator of the racing and gaming commission or the administrator’s designee.

“Applicant” means an internet fantasy sports contest service provider applying for a license to conduct internet fantasy sports contests under this chapter.

“Commission” means the state racing and gaming commission created under Iowa Code section 99D.5.

“Entry fee” means cash or cash equivalent that is required to be paid by an internet fantasy sports contest player to an internet fantasy sports contest service provider in order to participate in a fantasy sports contest.

“Fantasy sports contest” or *“contest”* means a fantasy or simulated game or contest in which:

1. The fantasy sports contest operator is not a participant in the game or contest;
2. The value of all prizes and awards offered to winning participants are established and made known to the participants in advance of the contest;
3. All winning outcomes reflect the relative knowledge and skill of the participants;
4. The outcome shall be determined by accumulated statistical results of the performance of individuals, including athletes in the case of sporting events; and

5. No winning outcome is solely based on the score, point spread, or any performance or performances of any single actual team or solely on any single performance of an individual athlete or player in any single actual event. However, until May 1, 2020, “fantasy sports contest” does not include any fantasy or simulated game or contest in which any winning outcomes are based on statistical results from a collegiate sporting event as defined in Iowa Code section 99F.1.

“Fantasy sports contest service provider” means a person, including a licensee under Iowa Code chapter 99D, 99E or 99F, who conducts an internet fantasy sports contest as authorized by this chapter.

“Highly experienced player” means a person who has entered more than 1,000 contests conducted by a single fantasy sports contest service provider or has won more than three fantasy sports contest prizes of \$1,000 or more from a single fantasy sports contest service provider. A fantasy sports contest provider may declare other players a “highly experienced player” so long as the provider’s criteria for declaration would include players previously declared a “highly experienced player” by the provider.

“Internal controls” means the fantasy sports contest service provider’s system of internal controls.

“Licensee” means any person licensed under Iowa Code section 99E.5 to conduct internet fantasy sports contests.

“Location percentage” means, for each internet fantasy sports contest, the percentage, rounded to the nearest tenth of a percent, equal to the total charges and fees collected from all internet fantasy sports contest players located in this state divided by the total charges and fees collected from all participants in the internet fantasy sports contest.

“Net revenue” means an amount equal to the total entry and administrative fees collected from all participants entering fantasy sports contests less winnings paid to participants in the contest, multiplied by the location percentage.

“Player” or *“customer”* means a person who is at least 21 years of age and participates in an internet fantasy sports contest operated by an internet fantasy sports contest service provider.

“Prize” means anything of value, including cash or a cash equivalent, contest credits, merchandise or entry to another contest in which a prize may be awarded.

“Script” means a list of commands that a fantasy sports-related computer program can execute and is created by fantasy sports players, or by third parties for the use of all players, to automate processes on a fantasy sports contest internet platform.

491—14.2(99E) Application for fantasy sports contest service provider license and licensing. A fantasy sports contest service provider must be licensed by the commission to offer an internet fantasy sports contest under Iowa Code chapter 99E. Any individuals who are required to be occupationally licensed by the commission shall comply with the license requirements of Iowa Code section 99E.5 and rules 491—6.2(99D,99E,99F,252J) to 491—6.13(99D,99F,272D). Occupational licensees are also subject to 491—Chapter 4.

14.2(1) Licensing standards. Standards which shall be considered when determining the qualifications of an applicant shall include, but are not limited to, financial stability; business ability and experience; good character and reputation of the applicant as well as all directors, officers, partners, and employees and integrity of financial backers. For the purposes of this rule, the term “applicant” includes each member of the board of directors or other governing body of an applicant.

a. The commission shall not grant a license to an applicant if there is substantial evidence that any of the following apply:

(1) A license issued to the applicant to conduct internet fantasy sports contests in another jurisdiction has been revoked, or a request for a license to conduct internet fantasy sports contests in another jurisdiction has been denied, by an entity licensing persons to conduct such contests in that jurisdiction.

(2) The applicant has not demonstrated financial responsibility sufficient to adequately meet the requirements of the enterprise proposed.

(3) The applicant does not adequately disclose the true owners of the enterprise proposed.

(4) The applicant has knowingly made a false statement of a material fact to the commission.

(5) The applicant has failed to meet a monetary obligation in connection with conducting an internet fantasy sports contest.

(6) The applicant is not of good repute and moral character or the applicant has pled guilty to, or has been convicted of, a felony.

(7) Any member of the board of directors or governing body of the applicant is not 21 years of age or older.

b. A person who knowingly makes a false statement on the application is guilty of an aggravated misdemeanor.

14.2(2) Application procedure. Application for an internet fantasy sports contest service provider license shall be made to the commission on the form prescribed and published by the commission. In addition to the application, the following must be completed and presented when the application is filed:

a. Disclosure of ownership interest, directors, or officers of applicant.

b. The identity and date of birth of each member of the board of directors or other governing body of the applicant.

c. The identity of each director, corporate officer, owner, partner, joint venture participant, trustee, or any other person who has any beneficial interest of 5 percent or more, direct or indirect, in the business entity. For any of the above, as required by the administrator, the applicant or licensee shall submit background information on forms supplied by the division of criminal investigation and any other information the administrator may require. For purposes of this rule, the term “beneficial interest” includes all direct and indirect forms of ownership or control, voting power, or investment power held through any contract, lien, lease, partnership, stockholding, syndication, joint venture, understanding, relationship (including family relationship), present or reversionary right, title or interest, or otherwise.

d. For ownership interests of less than 5 percent, the administrator may request a list of these interests. At a minimum, the list shall include names, percentages owned, addresses, social security numbers, and dates of birth. The administrator may request the same information required of those individuals in subrule 14.2(1).

e. A list of employees of the aforementioned who may be conducting business directly or indirectly on behalf of the applicant in the state of Iowa.

f. A bond or irrevocable letter of credit on behalf of the applicant or other satisfactory evidence, as determined by the commission, of a safe and reliable means of fulfilling the applicant’s obligations to customers and the state of Iowa in an amount determined by the commission.

14.2(3) *Investigative fee.*

a. Advance payment. The department of public safety may request payment of the investigative fee in advance as a condition to beginning the investigation.

b. Payment required. The administrator may withhold final action with respect to any application until all investigative fees have been paid in full.

14.2(4) *Application fee.* A bank or cashier’s check shall be made payable to Iowa Racing and Gaming Commission for \$5,000.

14.2(5) *Reporting of changes.* Any and all changes in the applicant’s legal structure, directors, officers, or the respective ownership interests must be promptly filed with the administrator.

14.2(6) *Ineligibility.* The administrator may deny, suspend, or revoke the license of an applicant or licensee in which a director, corporate officer, or holder of a beneficial interest includes or involves any person or entity which would be, or is, ineligible in any respect, such as through want of character, moral fitness, financial responsibility, or professional qualifications, or due to failure to meet other criteria employed by the administrator, to participate in gaming regardless of the percentage of ownership interest involved. The administrator may order the ineligible person or entity to terminate all relationships with the licensee or applicant, including divestiture of any ownership interest or beneficial interest at acquisition cost.

14.2(7) *Disclosure.* Disclosure of the full nature and extent of all beneficial interests may be requested by the administrator and shall include the names of individuals and entities, the nature of their relationships, and the exact nature of their beneficial interest.

14.2(8) *Public disclosure.* Disclosure is made for the benefit of the public, and all documents pertaining to the ownership filed with the administrator shall be available for public inspection.

14.2(9) *Supplementary information.* Each applicant shall promptly furnish the administrator with all additional information pertaining to the application or the applicant which the administrator may require. Failure to supply the requested information within five days after the request has been received by the applicant shall constitute grounds for delaying consideration of the application.

14.2(10) *Requirements placed upon applicants and licensees.* For purposes of this chapter, the requirements placed upon an applicant shall become a requirement to the licensee once a license has been granted. Every license is granted upon the condition that the license holder shall accept, observe, and enforce the rules and regulations of the commission. It is the affirmative responsibility and continuing duty of each officer, director, and employee of said license holder to comply with the requirements of the application and conditions of license and to observe and enforce the rules. The holding of a license is a privilege. The burden of proving qualifications for the privilege to receive any

license is on the licensee at all times. A licensee must accept all risks of adverse public notice or public opinion, embarrassment, criticism, or financial loss that may result from action with respect to a license. Licensees further covenant and agree to hold harmless and indemnify the Iowa racing and gaming commission from any claim arising from any action of the commission in connection with that license.

491—14.3(99E) Temporary license certificates.

14.3(1) A temporary license certificate may be issued at the discretion of the administrator.

14.3(2) Any temporary license certificate issued at the discretion of the administrator shall be valid for a maximum of 120 calendar days from the date of issue. Failure to obtain a permanent license within the designated time may result in revocation of license eligibility, fine, or suspension.

491—14.4(99E) Withdrawal of application. A written notice of withdrawal of application may be filed by an applicant at any time prior to final action. No application shall be permitted to be withdrawn unless the administrator determines the withdrawal to be in the public interest. No fee or other payment relating to any application shall become refundable by reason of withdrawal of the application.

491—14.5(99E) Fees.

14.5(1) Initial license. Once the commission is satisfied that the requirements of this chapter have been met, an applicant will be granted an initial license for up to three years.

14.5(2) Annual license fee. After the initial licensing period, a licensee shall pay an annual fee of \$1,000 for licensees with a yearly adjusted gross revenue under \$150,000 or \$5,000 for licensees with a yearly adjusted gross revenue of \$150,000 or greater. The administrator shall set the time period for determining a licensee's adjusted gross revenue. Licenses must be renewed annually in a manner established by the commission.

491—14.6(99E) Taxes.

14.6(1) The licensee shall pay a tax rate pursuant to Iowa Code section 99E.6 on adjusted revenue from fantasy sports contests. "Adjusted revenue" means the amount equal to the total charges and fees collected from all participants entering the fantasy sports contest less winnings paid to participants in the contest, multiplied by the location percentage defined in Iowa Code section 99E.1. Charges and fees returned to participants due to a participant withdrawing the participant's entry from a fantasy sports contest shall not be considered when calculating the adjusted revenue.

14.6(2) Voided and canceled transactions are not considered receipts for the purpose of this calculation.

14.6(3) Any offering used to directly participate in a contest shall be considered receipts for the purpose of this calculation.

14.6(4) Any other fee collected to participate in a fantasy sports contest shall be subject to the wagering tax pursuant to Iowa Code section 99E.6.

14.6(5) All moneys collected for and owed to the state of Iowa under Iowa Code chapter 99E for the payment of fantasy sports contests shall be accounted for and itemized on a monthly basis, in a format approved by the commission, by noon on Wednesday following a gaming week's end as defined by 491—subparagraph 5.4(10) "b"(1) in which the completed gaming week includes the last day of the month. All fantasy sports contest fees owed shall be received in the treasurer's office by 11 a.m. on the Thursday after accounting and itemization is due in the commission office.

491—14.7(99E) Account registration. A person must have an established account in order to participate in fantasy sports contests. To establish an account, an application for an account shall be authorized in a manner approved by the administrator and shall include the applicant's full legal name, principal residential address, date of birth and any other information required by the commission. The account registration process shall also include:

14.7(1) Age verification to prevent persons under the legal age from participating in fantasy sports contests and establishing an account.

14.7(2) Customer verification of legal name, physical address and age to correctly identify account holders.

14.7(3) Verification that the customer is not on the statewide self-exclusion list set forth in Iowa Code section 99F.4(22) prior to establishing an account.

14.7(4) Availability and acceptance of a set of terms and conditions that are also readily accessible to the customer before and after registration and noticed when updated. Notices shall include, at a minimum, the following:

a. Explanation of rules in which any unrecoverable malfunctions of hardware/software are addressed including, but not limited to, if the unrecoverable malfunction, fantasy sports event cancellation, or any other catastrophic malfunction results in the voiding of any contests.

b. Procedures to deal with interruptions caused by the suspension of data flow from the network server during a contest.

c. Specifications advising customers to keep their account credentials secure.

d. Statement that no underage individuals are permitted to participate in contests.

14.7(5) Availability and acceptance of a privacy policy that is also readily accessible to the customer before and after registration and noticed when updated that includes, at a minimum, the following:

a. Statement of information that is collected, the purpose for information collection and the conditions under which information may be disclosed.

b. Statement that any information obtained in respect to customer registration or account establishment must be done in compliance with the privacy policy.

c. Requirement that any information about customer accounts which is not subject to disclosure pursuant to the privacy policy must be kept confidential, except where the release of that information is required by law.

d. Requirement that all customer information must be securely erased from hard disks, magnetic tapes, solid state memory and other devices before the device is properly disposed of by the licensee. If erasure is not possible, the storage device must be destroyed.

491—14.8(99E) Fantasy sports contest service provider requirements.

14.8(1) *Internal controls.* Licensees shall submit a description of internal controls to the administrator. The submission shall be made at least 30 days before fantasy sports contest operations are to commence unless otherwise approved by the administrator. All internal controls must be approved by the administrator prior to commencement of contest operations. The service provider shall submit to the administrator any changes to the internal controls previously approved at least 15 days before the changes are to become effective unless otherwise directed by the administrator. It shall be the affirmative responsibility and continuing duty of each licensee and its employees to follow and comply with all internal controls. The submission shall include controls and reasonable methods that comply with and provide for:

a. Prevention of employees of the internet fantasy sports contest service provider and relatives living in the same household of such employees from competing in any internet fantasy sports contest on the service provider's digital platform in which the service provider offers a prize to the public.

b. Verification that any fantasy sports contest player is 21 years of age or older.

c. Restriction of entries from coaches, officials, athletes, contestants, or other individuals who participate in a game or contest that is the subject of an internet fantasy sports contest in which the outcome is determined, in whole or in part, by the accumulated statistical results of a team of individuals in the game or contest in which they participate.

d. An easy and obvious method for a player to make a complaint and to enable the player to notify the commission if such complaint has not been or cannot be resolved by the licensee.

e. Measures used to determine the true identity, date of birth, and address of each player seeking to open an account.

f. Standards and procedures used to monitor fantasy sports contests to detect the use of unauthorized scripts and restrict players found to have used such scripts from further fantasy sports contests.

- g. Prevention of unauthorized withdrawals from a registered player's account by the service provider or others.
- h. How the service provider will accept wagers within the permitted boundary.
- i. How the service provider will segregate fantasy sports contest player funds from operational funds.
- j. Protection of a fantasy sports contestant's personal and private information.

14.8(2) *Records.* Licensees shall provide all information requested by the commission. Access to this information shall be immediate, and copies of the information shall be delivered within seven days or less as ordered by the commission. The licensees shall ensure all books and records and their retention comply with 491—subrule 5.4(14). All records pertaining to contests shall be available to allow for player complaint resolution.

14.8(3) *Reporting.* The licensee shall provide immediate notification of any facts which the licensee has reasonable grounds to believe indicate a violation of law or commission rule committed by licensees, their key persons, or their employees, including without limitation the performance of licensed activities different from those permitted under their license. The licensee is also required to provide a detailed written report within 72 hours from the discovery for any of the following:

- a. Criminal or disciplinary proceedings commenced against the service provider in connection with its operations;
- b. Abnormal contest activity or patterns that may indicate a concern about the integrity of an internet fantasy sports contest;
- c. Any other conduct with the potential to corrupt an outcome of an internet fantasy sports contest for purposes of financial gain, including but not limited to match fixing;
- d. Suspicious or illegal internet fantasy sports contest activities, including the use of funds derived from illegal activity, deposits of money to enter an internet fantasy sports contest to conceal or launder funds derived from illegal activity;
- e. The use of agents to enter an internet fantasy sports contest or use of false identification.

14.8(4) *Technical and testing requirements.*

a. *Initial testing.* All equipment and systems integral to the conduct of fantasy sports contests shall be tested and certified for compliance with commission rules and the standards required by a commission-designated independent testing laboratory. Certification and commission approval must be received prior to the use of any equipment or system to conduct a fantasy sports contest. The commission may designate more than one independent testing laboratory.

b. *Change control.* The fantasy sports contest service providers shall submit change control processes that detail evaluation procedures for all updates and changes to equipment and systems to the administrator for approval. These processes shall include details for identifying criticality of updates and determining of submission of updates to an independent testing laboratory for review and certification.

c. *Annual testing.*

(1) A system integrity and security risk assessment shall be performed annually on the fantasy sports contest system.

1. The testing organization must be independent of the licensee and shall be qualified by the administrator.

2. The system integrity and security risk assessment shall be conducted no later than 90 days after the start of the licensee's fiscal year.

3. Results from the risk assessment shall be submitted to the administrator no later than 30 days after the assessment is conducted.

(2) At the discretion of the administrator, additional assessments or specific testing criteria may be required.

d. Limit on number of websites and platforms. A fantasy sports contest service provider is authorized to conduct no more than two websites or platforms maintained and operated by the service provider.

14.8(5) Operating requirements. A fantasy sports contest service provider shall ensure the following:

a. Players winning fantasy sports contests shall have winning funds deposited into their player account or be paid by other means approved by the administrator within 48 hours from the end of the contest. Players shall have a fee-free method to deposit or withdraw funds from their player account. If funds are unable to be placed in a player's account, the fantasy sports contest service provider shall mail the funds to the player's address on file within ten days.

b. Player withdrawal of funds maintained in the player account shall be completed within five business days of the request unless the licensed fantasy sports contest service provider believes, in good faith, that the player engaged in fraud or other illegal activity pursuant to Iowa Code chapter 99D, 99E or 99F.

c. Procedures allow for a player to close an account and to access the player's history, including all fantasy sports contests in which the player participated.

d. Employees of the licensee are prohibited from participation in any fantasy sports contest offered by the licensee in which a cash prize is offered to the public. This includes prohibiting relatives living in the same household as such employees from competing in any fantasy sports contests offered by any licensee.

e. Prohibition of the sharing of confidential information that could affect fantasy sports contest play with third parties until the information is made publicly available.

f. Players are allowed to voluntarily self-exclude in compliance with Iowa Code section 99F.4(22), and a fantasy sports contest service provider shall follow all resolutions associated with the process.

491—14.9(99E) Contest rules.

14.9(1) Prior to conducting a new type of fantasy sports contest, a fantasy sports contest service provider shall submit proposed contest rules to the administrator. The contest submission shall be in writing and approved by the administrator prior to implementation. The administrator shall approve, deny, or request further information within three business days of submission. If the administrator takes no action within that period, the fantasy sports contest service provider may offer the requested contest unless the administrator issues a subsequent disapproval. Once a contest is approved, the contest is available for all fantasy sports contest service providers unless the contest format is subsequently disapproved by the administrator for any reason the commission deems appropriate. Fantasy sports contest service providers may offer minor variations of an approved contest type without seeking administrator approval. Minor variations include:

a. Offering the contest format for any sport, league, association or organization previously approved by the administrator for any fantasy sports contest type;

b. The size of the contest and number of entries permitted;

c. Nonmaterial changes to entry fee and prize structure;

d. The number of athletes that a contestant selects to fill a roster when completing an entry;

e. The positions that must be filled when completing an entry;

f. Adjustments to the scoring system; and

g. Adjustments to a salary cap.

14.9(2) Licensees are required to comply with and ensure the following:

a. Advertisements for contests and prizes offered by a licensee shall not target prohibited participants, underage persons, or self-excluded persons.

b. The values of all prizes and awards offered to winning players must be established and made known to the players in advance of the contest.

c. Introductory procedures for players are prominently displayed on the main page of the licensee's platform to explain contest play and how to identify a highly experienced player.

d. Identification of all highly experienced players in every fantasy sports contest by a symbol attached to the players' usernames, or by other easily visible means, on all platforms supported by the licensee.

e. Contests are not offered based on the performance of participants in high school or youth sports events. However, until May 1, 2020, "fantasy sports contest" does not include any fantasy or simulated game or contest in which any winning outcomes are based on statistical results from a collegiate sporting event as defined in Iowa Code section 99E.1.

f. Representations or implications about average winnings from contests shall not be unfair or misleading.

g. Prohibition of the use of unauthorized third-party scripts or unauthorized scripting programs for any contest and ensure that measures are in place to deter, detect, and prevent cheating to the extent reasonably possible. "Cheating" includes collusion and the use of cheating devices, including the use of software programs that submit entry fees or adjust the athletes selected by a player.

h. Prominent display of information about the maximum number of entries that may be submitted for that contest for all advertised fantasy sports contests.

i. Disclosure of the number of entries that a player may submit to each fantasy sports contest and provide reasonable steps to prevent players from submitting more than the allowable number.

j. Opportunity for players to file a patron dispute.

k. Conspicuously disclose the source of the data utilized in any results.

491—14.10(99E) Segregation account requirements and financial reserves.

14.10(1) Segregation. Fantasy sports contest service providers shall segregate all fantasy sports contest player funds from operational funds.

14.10(2) Financial reserves. For the protection of the funds of contest participants held in paid fantasy sports accounts, the fantasy sports contest service provider shall maintain a reserve in the form of cash, cash equivalents, an irrevocable letter of credit, payment processor reserves and receivables, a bond, or a combination thereof in the amount of the deposits in internet fantasy sports contest player accounts.

a. The method of reserve shall be submitted and approved by the commission prior to implementation.

b. The amount of the reserve shall be equal to, at a minimum, the sum of all registered players' funds held in player accounts originating in Iowa.

c. If, at any time, the licensee's total available cash and cash equivalent reserve is less than the amount required, the licensee shall notify the commission of this deficiency within 48 hours.

d. Each licensee shall continuously monitor and maintain a record of all player deposits and the licensee's cash reserves to ensure compliance with the cash reserves requirement.

e. The licensee shall provide the commission with documentation including the amount of deposits in players' accounts and the amount in cash reserves as of the last day of each month. The information is due by the fifteenth day of the month for the preceding month.

491—14.11(99E) Annual audit. An audit of the fantasy sports contest operations for the licensee or parent company of the licensee shall be conducted by certified public accountants authorized to practice in the state of Iowa and provided to the commission within 180 days of the licensee's fiscal year and meet the following conditions:

14.11(1) Inclusion of an internal control letter, audited balance sheet, and audited profit-and-loss statement including a breakdown of expenditures and subsidiaries of fantasy sports contest activities.

14.11(2) Inclusion of a supplement schedule indicating financial activities on a calendar-year basis if the licensee's fiscal year does not correspond to the calendar year.

14.11(3) Report of any material errors, irregularities that may be discovered during the audit, or notice of any audit adjustments.

14.11(4) Availability, upon request, of an engagement letter for the audit between the licensee or parent company of the licensee and the auditing firm.

491—14.12(99E) Abandoned accounts.

14.12(1) Abandoned player accounts under this rule are subject to Iowa Code chapter 556. Player accounts are considered abandoned if no activity by the account holder has occurred for three years. Player activity includes entering a contest, making an account deposit, or withdrawing funds.

14.12(2) No internet fantasy sports contest service provider shall charge an administration fee or maintenance fee for any inactive player account derived from state of Iowa residents at any time for any reason.

491—14.13(99E) Problem gambling.

14.13(1) The licensee shall adopt and implement the following:

- a.* Policies and procedures designed to identify compulsive play.
- b.* Policies and procedures designed to comply with the process established by the commission pursuant to Iowa Code section 99F.4(22).
- c.* Policies and procedures designed to cooperate with the Iowa gambling treatment program in creating and establishing controls.
- d.* Policies and procedures designed to make information available to customers concerning assistance for compulsive play in Iowa, including websites or toll-free numbers directing customers to reputable resources containing further information, which shall be free of charge.
- e.* A process to easily and prominently impose limitations or notifications for deposits and monetary participation in a contest. Upon receipt, any self-imposed limits must be employed correctly and immediately as indicated to the player. No changes can be made reducing the severity of the self-imposed limitations for at least 24 hours.
- f.* A process to easily and prominently self-exclude for a specified period of time or indefinitely and easily and obviously direct participants, via a link, to exclude themselves pursuant to Iowa Code section 99F.4(22). Upon receipt, any self-exclusion limits must be employed correctly and immediately as indicated to the player. No changes can be made to reduce the severity of the self-exclusion limitations for at least 24 hours. In the event of indefinite self-exclusion, the licensee must ensure that the player is paid in full for the player's account balance within a reasonable time provided that the licensee acknowledges that the funds have cleared. This control does not supersede the requirements set forth in Iowa Code section 99F.4(22).
- g.* A process to review and deactivate accounts of newly enrolled participants of the statewide self-exclusion program set forth in Iowa Code section 99F.4(22). The licensee must ensure that the player is paid in full for the player's account balance provided that the licensee acknowledges that the funds have cleared.

14.13(2) The licensee shall also include on the internet site or mobile application the statewide telephone number of the Iowa department of public health to provide problem gambling information and extensive responsible gaming features in addition to those described in Iowa Code section 99F.4(22).

14.13(3) Money forfeited by a voluntarily excluded person pursuant to Iowa Code section 99F.4(22) shall be withheld by the licensee and remitted to the general fund of the state by the licensee.

491—14.14(99E) Licensing of internet fantasy sports contest service providers.

14.14(1) Operation. The internet fantasy sports contest service provider shall submit the following for commission approval:

- a.* Internal controls for the operation of the account.
- b.* A detailed description and certification of systems and procedures used by the internet fantasy sports contest service provider to validate the identity, age and location of licensee account holders and to validate the legality of wagers accepted.
- c.* Certification of secure retention of all records related to internet fantasy sports contests and accounts for a period of not less than three years or such longer period as specified by the commission.
- d.* Certification of prompt commission access to all records relating to account holder identity, age and location in hard-copy or standard electronic format acceptable to the commission.

e. Verification that the player is not on the statewide voluntary self-exclusion list set forth in Iowa Code section 99F.4(22) prior to establishing an account.

14.14(2) *Record keeping.*

a. Record storage required. Internet fantasy sports contest service providers shall maintain adequate records of business operations, which shall be made available to the administrator upon request. These records shall include:

(1) All correspondence with the administrator and other governmental agencies on the local, state, and federal level.

(2) All correspondence between the licensee and any of its customers who are applicants or licensees under Iowa Code chapter 99E.

(3) Financial records of all transactions with players and all other licensees under these regulations.

b. Record retention. The records listed in paragraph 14.14(2) “a” shall be retained as required by 491—subrule 5.4(14).

14.14(3) *Violation of laws or regulations.* Violation of any provision of any laws of the state or of the United States of America or of any rules of the commission may constitute an unsuitable method of operation, subjecting the licensee to limiting, conditioning, restricting, revoking or suspending the license, or fining the licensee, or any combination of the above. The commission has the discretion to suspend fantasy sports contest operations of its licensees by written order if necessary.

These rules are intended to implement Iowa Code chapters 99D, 99E and 99F.

[Filed 3/10/20, effective 5/13/20]

[Published 4/8/20]

EDITOR’S NOTE: For replacement pages for IAC, see IAC Supplement 4/8/20.